

FISCAL NOTE

Bill #: SB184

Title: Revise property tax levy authority

Primary

Sponsor: Senator Grosfield

Status: Conference Committee Report

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary (SB184 Impact)

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
General Fund (01)	\$21,103,459	\$57,711,155
Revenue:		
General Fund (01)	(\$7,275,141)	(\$8,509,874)
State Special (02)	\$8,207	\$974,364
Net Impact on General Fund Balance:	(\$28,378,600)	(\$66,221,029)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. The proposal is effective for tax years beginning after December 31, 1998.
2. The taxable rate for class 3 (ag land) and class 4 (residential and commercial real) property will be phased down from 3.794% to 3.460% beginning in tax year 1999. The taxable rate will be 3.7105% in tax year 1999 and 3.6270% in tax year 2000.
3. The taxable rate for class 10 (forestland) property will be phased down from 0.79% to 0.35% beginning in tax year 1999. The taxable rate will be 0.68% in tax year 1999 and 0.57% in tax year 2000.
4. For property in classes 3, 4, and 10, assessed value will be phased-in to the full 1997 reappraisal from the tax year 1998 assessed value over a four year period. The first year of the 4- year phase in is tax year 1999. The proposal assumes that property with a decrease in the 1997 reappraisal is automatically fully phased-down.

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5. The homestead exemption for all class 4 residential property is 16% of market value in tax year 1999 and 23% of market value in tax year 2000.
6. The comstead exemption for all class 4 commercial property is 6.5% of market value in tax year 1999 and 9.0% of market value in tax year 2000.
7. The combination of reducing taxable rates, phasing in of full reappraisal, a homestead and comstead exemption results in a total reduction in taxable value of \$71,149,877 in tax year 1999 (fiscal year 2000 impact) and a total reduction of taxable value of \$83,301,681 in tax year 2000 (fiscal year 2001 impact). The total reduction of taxable value in those counties that levy the 1.5 mill vo-tech levy is \$24,902,457 in tax year 1999 and \$29,154,983 in tax year 2000.
8. The total reduction of taxable value in those counties that levy the 9.0 mill for state assumption of welfare is \$28,459,951 in tax year 1999 and \$33,319,979 in tax year 2000.
9. The taxable value reduction from the land relief amendment is \$4,551,972 in tax year 1999 and \$5,256,790 in FY2001. The general fund revenue reduction as a result is \$478,549 in FY2000, and \$552,646 in FY2001.
10. Property tax revenue reduction to the general fund excluding the land relief (95 mill and 1.5 vo-tech mill) is \$6,796,592 in FY00 and \$7,957,228 in FY01.
11. Property tax revenue reduction to the 6 mill levy account (university) is \$426,899 in FY00 and \$499,799 in FY01. Transfers from the general fund to reimburse the effects of property tax relief bills adds \$691,246 in FY2000 and \$1,774,042 in FY2001 to the account for a net increase of \$264,347 in FY2000 and \$1,274,243 in FY2001.
12. Property tax revenue reduction to the 9 mill levy for state assumption of welfare is \$256,140 in FY00 and \$299,879 in FY01.
13. Property tax revenue reduction from the land relief amendment is \$4,551,972 in tax year 1999 and \$5,256,790 in tax year 2000.
14. The change in taxable values due to reducing taxable rates, phasing-in of full reappraisal, giving a homestead and comstead exemption, and the added reimbursements for the effects of property tax relief bills will cause school districts to change GTB levies in the 2001 biennium to maintain minimum budgets required under section 20-9-308(1)(a), MCA. The change will increase by \$1,980,000 the amount of state GTB aid in the FY2001 biennium.
15. In FY00, the administrative costs associated with the homestead and comstead exemptions, mailing assessment notices, going to a four-year phase-in of reappraisal, and resolving remaining valuation issues include \$434,929 for operating expenses and \$62,350 for equipment.
16. The Department of Revenue would begin a reappraisal January 1, 2001. The 2-year cycle would be completed by January 1, 2003.
17. In FY01, administrative costs associated with completing a new reappraisal cycle (classes 3, 4, and 10 properties) are estimated to be \$699,466 for personal services (21 FTE), \$290,755 for operating expenses, and \$12,500 for equipment.

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<u>FISCAL IMPACT:</u>	<u>FY2000</u> <u>Difference</u>	<u>FY2001</u> <u>Difference</u>
FTE		21
<u>Expenditures:</u>		
Personal Services		\$699,466
Operating Expenses	\$489,929	290,755
Equipment	62,350	\$12,500
Property Tax Reimbursements	18,571,180	56,708,434
GTB State Aid	<u>1,980,000</u>	<u>0</u>
TOTAL	\$21,103,459	\$57,711,155
<u>Funding:</u>		
General Fund (01)	\$21,103,459	\$57,711,155
<u>Revenues:</u>		
General Fund (01)	(\$7,275,141)	(\$8,509,874)
State Special Revenue (6 mill)	264,347	1,274,243
State Special Revenue (9 mill)	(256,140)	(299,879)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(\$28,378,600)	(\$66,221,029)
State Special Revenue (6 mill)	264,347	1,274,243
State Special Revenue (9 mill)	(256,140)	(241,546)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The overall statewide taxable value reduction is approximately 4.5%. This would result in a reduction of property tax revenues of 4.5% to local governments *if* all local mills were held constant. SB184 allows for local governments to adopt a mill levy that would generate the same revenue as in the prior year, minimizing any local impact.

LONG-RANGE IMPACTS:

The revenue impact to fiscal years 2002 and 2003 would be similar to fiscal year 2001 impacts.